Supreme Court, U.S.
FILED
MAY 6 1996
CLERK

No. 95-1546

IN THE
Supreme Court of the United States
OCTOBER TERM, 1995

SHOKETSU KINZOKU KOGYO KABUSHIKI CO., LTD.
a/k/a SMC CORPORATION and SMC PNEUMATICS, INC.,

Petitioners,

v.

FESTO CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONERS' REPLY BRIEF

ARTHUR I. NEUSTADT
(Counsel of Record)
OBLON, SPIVAK, MCCLELLAND,
MAIER & NEUSTADT, P.C.
1755 Jefferson Davis Highway
Arlington, Virginia 22202
(703) 413-3000

JAMES B. LAMPERT
HALE AND DORR
60 State Street
Boston, Massachusetts 02109
(617) 526-6000

Attorneys for Petitioners

PRESS OF BYRON S. ADAMS, WASHINGTON, D.C. 1-800-347-8208

13 pp

Table of Contents

page

Table of Contents i

Table of Authorities ii

I. Overview 1

II. The Doctrine of Equivalents Issue 1

III. The Jury Trial Issue 6

IV. Conclusion 10

Table of Authorities

U.S. Constitution:

Amend. VII 6

Statute:

35 U.S.C. §251 5

Rule:

Federal Rule of Civil Procedure 53 ..... 8, 9, 10

Cases:

Calmar, Inc. v. Cook Chemical Co.,
383 U.S. 101 (1966) 5

Colgate-Palmolive Co. v. Cook Chemical Co.,
383 U.S. 101 (1966) 5

Dairy Queen, Inc. v. Wood,
369 U.S. 469 (1962) 8, 9

Graham v. John Deere Co. of Kansas City,
383 U.S. 101 (1966) 5

Graver Tank & Mfg. Co. v. Linde Air Products Co.,
339 U.S. 605 (1950) 3, 4

Hilton Davis Chemical Co. v. Warner Jenkinson Co.,
62 F.3d 1512 (Fed. Cir. 1995),
cert. granted, 116 S.Ct. 1014 (1996) 1, 2, 4

Markman v. Westview Instruments, Inc.,
52 F.3d 967 (Fed. Cir. 1995), *affirmed*,
1996 WL 190818 (U.S.) 1, 6

U.S. v. Adams,
383 U.S. 39 (1966) 5

PETITIONERS' REPLY BRIEF

I. Overview

As to the doctrine of equivalents issue, the question presented for review is substantively the same as that currently under consideration by this Court in *Hilton Davis*.[1] Festo does not appear to dispute the wisdom of this Court considering cases together where a fundamental issue of patent law is involved such as the doctrine of equivalents. Festo's primary argument is one of supposed *equivalence* but this misses the point, i.e. Festo argued *non-equivalence* in the Patent Office to obtain its patent, its patent claims reflect this *non-equivalence* and the prosecution history upon which the public is entitled to rely also reflects this *non-equivalence*. This is the great mischief of a largely unrestricted doctrine of equivalents.

As to the jury trial issue, this Court should grant certiorari to hold that, although as recently held in *Markman*[2] the court and not the jury decides claim interpretation, juries in patent cases are entitled to consider evidence *ab initio* and not to have all issues predecided by a special master in a separate first trial.

II. The Doctrine of Equivalents Issue

Festo vigorously argues that the *absence* of the claimed sealing ring was inconsequential as was the *absence* of the claimed magnetizable material. This argument misses the point, i.e., Festo obtained its patent on the basis of the *presence* of this

---

[1] *Hilton Davis Chemical Co. v. Warner Jenkinson Co.*, 62 F.3d 1512 (Fed. Cir. 1995), *cert. granted*, 116 S.Ct. 1014 (1996).

[2] *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995), *affirmed*, 1996 WL 190818 (U.S.).

claimed sealing ring and on the basis of the *presence* of this claimed magnetizable material. Contrary to Festo's assertion in its opposition (at 14) that "SMC asks this Court to eliminate the doctrine of equivalents all together [sic]," Festo should not be permitted to obtain a patent on the basis of the *presence* of this sealing ring and the *presence* of this magnetizable material and, after obtaining its patent, assert infringement against a rodless cylinder that is missing both this claimed sealing ring and this claimed magnetizable material. Festo should not be permitted to argue *non-equivalence* to obtain its patent and, after it obtains its patent, argue *equivalence* to ensnare competitors who are entitled to rely upon the prosecution history. This is the great mischief generated by the doctrine of equivalents and why this is the most important issue in patent law today. This is the reason why *Hilton Davis* was considered in banc and why there were so many amicus briefs before the Federal Circuit (and this Court).

Festo's opposition contains little in response to SMC's point in its petition (at 4) that the Stoll patent itself specifically asserts patentability on the basis of the *non-equivalence* between (1) the combination of a sealing ring and a guide ring and (2) just a guide ring (as in the accused SMC piston). As specifically stated in the Stoll patent (SMC's petition at 4),

> the sealing means of the piston comprise [soft] sealing rings and the piston is provided with [hard] sliding guide rings near the sealing rings. The advantage of this is that a relatively soft material can be used for the piston sealing rings, which no longer have to perform any significant guiding functions.

However, whereas Festo in the Patent Office asserted *non-equivalence* in order to obtain its patent - at trial, Festo asserted just the opposite in order to ensnare as an infringement that which the prosecution history plainly indicated was not an infringement. Thus, in the Patent Office, it was "advantageous" to employ the combination of a soft sealing ring and a hard guiding ring at each end of the piston but, at trial, it was "equivalent" to only employ a hard guiding ring. As noted in SMC's petition (at 12-13), Mr. Justice Black was only too correct when over 45 years ago he predicted such conduct which he characterized as "fraud" and "piracy."[3]

The situation with the missing magnetizable material is identical in that Festo argued *non-equivalence* to obtain its patent and then, at trial, argued *equivalence* to ensnare a structure which the prosecution history plainly indicates is non-infringing.

Festo's opposition offers little in response to SMC's point in its petition (at 6) that the Stoll patent itself specifically asserts patentability on the basis of the *non-equivalence* between (1) a magnetizable sleeve and (2) a non-magnetizable sleeve. As specifically stated in the Stoll patent (SMC's petition at 6),

> If the driven assembly [follower] is provided with a sleeve made of a magnetisable material, which encircles the hollow cylindrical assembly of the magnet arrangement, magnetic leakage fields in the vicinity of the driven assembly can be kept to a minimum. In this way, undesirable braking forces, which would otherwise be generated

---

[3] *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 617 (1950) (Black, J., dissenting).

> while piston and driven assembly pass magnetisable machine components, are avoided.

Contrary to the unequivocal statement in its patent, at trial, Festo asserted that "magnetic leakage fields in the vicinity of the driven assembly can be kept to a minimum" without the need for a magnetizable sleeve and that "undesirable braking forces, which would otherwise be generated while piston and driven assembly pass magnetisable machine components" could be avoided without the need for a magnetizable sleeve. This tactical ploy of arguing *non-equivalence* in the Patent Office to obtain a patent while arguing *equivalence* at trial before a jury to ensnare a competitor is the great mischief of the doctrine of equivalents - characterized by Justice Black as "retroactive infringement" and Judge Nies as "unknowable infringement" (SMC's petition at 17, note 12).[4]

Festo, in its opposition (at 1), asserts that this issue "is being raised for the first time." However, as is apparent from the Federal Circuit's decision, SMC has always maintained that statutory patent claims can not be nullified by the judicially created doctrine of equivalents.

Festo, in its opposition (at 3), implies that the issues in *Hilton Davis* are "more complex" and, therefore, presumably different. However, the issues are exactly the same - does the doctrine of equivalents trump the statutory requirement for patent claims and the statutory restriction for broadening them?

---

[4] *Graver Tank*, *supra* at 615 (Black, J. dissenting); *Davis*, *supra* at 1562 (Nies, J. dissenting).

Festo, in its opposition (at 3-4), implies that "the trilogy" and *Adams* (SMC's petition at 10)[5] were argued and decided together "to resolve existing conflicts between different federal circuits." However, there was no conflict since the trilogy on the one hand and *Adams* on the other involved unrelated patents and no conflict concerning the law of obviousness.

Festo's 300% figure (Festo's opposition at 10) is sophistry at its zenith. The 300% figure pertained to the supposed difference between a magnetizable sleeve and no sleeve at all (air) and not to the difference between a magnetizable sleeve and a non-magnetizable sleeve. Festo does not assert that it invented a sleeve. On the contrary, Festo asserted the necessity of a magnetizable sleeve as compared to any other sleeve. However, at trial, Festo reversed position and asserted that a magnetizable sleeve was inconsequential since, supposedly, a non-magnetizable sleeve was 300% more effective than no sleeve at all (air). This is but another example of the great mischief generated by a largely unrestricted doctrine of equivalents - especially when presented to a jury.

Festo, in its opposition (at 15-16), asserts that it could not have applied for a reissue application since it made no error in its patent claims. Festo's assertion makes little sense. Claiming less than one has a right to claim is a primary statutory basis for a reissue application. 35 U.S.C. §251 ("Whenever any patent is ... inoperative ... by reason of the patentee claiming ... less than

---

[5] *Graham v. John Deere Co. of Kansas City; Calmar, Inc. v. Cook Chemical Co.*; *Colgate-Palmolive Co. v. Cook Chemical Co.*; 383 U.S. 101 (1966) ("the trilogy") and *U. S. v. Adams*, 383 U.S. 39 (1966).

he had a right to claim in the patent, the Commissioner shall ... reissue the patent ... .").

III. The Jury Trial Issue

Since the filing of SMC's petition, this Court has decided *Markman* and has held that the resolution of factual disputes for the interpretation of patent claims is for the court and not for the jury. Although this significantly reduces the role of juries in patent cases, it is in accord with established precedent and is not contrary to the Seventh Amendment. In contrast, having all issues predecided by a special master in a first trial which is then considered for correctness by a jury in a second trial is plainly violative of the constitutional right to a jury trial. Since it is likely that those who desire to reduce the role of juries in patent cases will cite this Court's *Markman* decision as reaffirming the Federal Circuit's decision in the case at bar authorizing a first trial by a master and a second trial before a jury, this Court should grant certiorari to hold that, although the court is to decide claim interpretation, juries are entitled to consider evidence *ab initio*.

Festo's primary assertion is that, since "the jury could give it [the master's decision] whatever weight it deemed necessary" (Festo's opposition at 5), the focus of the trial was not the master's decision. However, Festo's assertion is completely

undermined by its closing argument to the jury which plainly shows that the master's report was the focus of the trial.[6]

As noted in SMC's petition (at 18), even when a special master is appointed to decide a specific narrow issue, such an

---

[6] You have five questions you have to answer. Those five questions were before the Special Master. On every question of liability that the Special Master had to consider, he found in favor of Festo except for one issue, which is your Question 1. A (Federal Circuit appendix) 1584.

Now I'd like to turn to the last question. It's really maybe one reason why we are here. The Master decided everything else on liability in favor of Festo. This is the one reason we are here.

* * *

The Master didn't look at it in Festo's favor. Let's look at why. Let's see what I think the answer should be now with what you have before you.

* * *

Let me tell you what the Master's problem is. The Master said more importantly for him, the tests shed no light on whether or not both sleeves -- that's the sleeve of the patent and the sleeve of SMC -- achieved the advantages that Stoll attributed to having a sleeve made of a magnetizable material; that both magnetizable and nonmagnetizable sleeves serve to minimize magnetic leakage fields in substantially the same way.

* * *

Now, where are you in this picture? You're sitting here with most of the evidence that the Master had except that you have the benefit of a renowned physicist who is an expert in magnetism who has testified here that a magnetic circuit is created in the SMC sleeve in the same way the magnetic circuit is created in the sleeve of the patent so it operates in the same way to minimize leakage fields.

* * *

Okay. I believe you had an opportunity that the Master didn't have. You have the benefit of Dr. Schroeder's testimony. If Dr. Schroeder had testified before the Master, there is no question in my mind, there should be no question in your mind, that the additional element that the Master had difficulty with would have been satisfied and he would have had no option except to conclude that infringement is present under the doctrine of equivalence. So he would have reached a contrary conclusion. A1597-99.

appointment is subject to stringent restrictions because a jury and not a master should decide disputed factual matters. Rule 53 (b) specifically provides that reference to a master is "the exception and not the rule" and "shall be made only when the issues are complicated." Further, this Court has specifically held that "the burden of such a showing [for appointment of a master] is considerably increased and it will indeed be a rare case in which it can be met" and that "[e]ven this limited inroad upon the right to trial by jury 'should seldom be made, and if at all only when unusual circumstances exist.' " *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 478 n. 18 (1962).

Dairy Queen is controlling precedent and plainly precludes indiscriminately characterizing patent cases as "complicated" to justify having a master predecide all issues. Festo's attempt to distinguish *Dairy Queen* is of little moment. Since *Dairy Queen* was a mandamus decision, Festo asserts (at 11 and 24), without citing any authority therefor, that *Dairy Queen* can be ignored since the case at bar does not involve mandamus. However, there is no requirement to petition for a writ of mandamus in order to preserve a fundamental substantive right.

Festo, in its opposition (at 4), implies that the master's role was limited since he only decided "questions of validity and infringement." Although immaterial since validity and infringement are the core issues in a patent case, Festo has forgotten that the master also decided all damages issues.[7] There can be no dispute that the master predecided the entire case.

---

[7] Festo decided that it did not want the jury to have the master's ruling on these issues since they were adverse to Festo so they were not submitted to the jury.

Festo, in its opposition (at 11-12), implies that SMC somehow waived its vigorous and repeated objections to the use of the master's report since SMC's counsel in closing argument relied upon the master's one conclusion which favored SMC. Festo's position appears to be that, once the trial court decided that the master's report would be given to the jury, SMC was obligated not to mention the report if it wished to preserve its pretrial objections to the master's report. However, once the trial court decided that the master's report would be admitted into evidence, SMC had no choice but to argue the evidence.

Festo, in its opposition (at 21-22), implies that all that is necessary to require a first full trial before a master and a second full trial before a jury is to utter the words "[t]hey're [the issues] complicated." *Dairy Queen* and rule 53 plainly require more.

Festo, in its opposition (at 23-24), asserts that "SMC's disclosure of the [master's] report was completely contrary to its own recommendation to the court that the report only be brought to the attention to the jury at the close of the testimony so that the trial would be untainted." However, the court overruled SMC's recommendation and SMC made this recommendation only in response to the court's specific request and only after the court had ruled that the master's report would be given to the jury.

Festo, in its opposition (at 24-25), asserts that "[t]here is no restriction regarding the manner in which a master's report is to be presented to the jury." However, rule 53(e)(3) specifically includes a "read to the jury" restriction to prevent a master's decision from becoming the focus of a jury trial.

IV. Conclusion

SMC's petition presents two separate and independent questions for review and, for the foregoing reasons, granting of the petition with respect to each question presented for review is respectfully requested.

Respectfully submitted,

Arthur I. Neustadt
Counsel of Record
Oblon, Spivak, McClelland,
Maier & Neustadt, P.C.
1755 Jefferson Davis Highway
Arlington, VA 22202

James B. Lampert
Hale and Dorr
60 State Street
Boston, MA 02109

Attorneys for Petitioners
SMC Corporation, et al.

May 6, 1996